Things to Know

1. **Important things to do when buying a home without the services of a real estate agent include the following:**
   Seek advice from an attorney to review the real estate documents and loan documents. There is nothing that prevents you from buying a home without using a real estate agent. Some things to consider if choosing to buy a home without an agent are:

   - Hire an attorney. A real estate attorney can review the contract and all the legal documentation of the purchase transaction and the loan.
   - Without the services of a real estate agent be aware that you will need to negotiate all items directly with the seller or the seller's real estate agent.

   When you buy a home without being represented by a real estate agent or a "for sale by owner" (seller is selling without the services of a real estate agent), you, the borrower need to be extra careful. The lender, the title company, housing counselor are not qualified to negotiate or advise a buyer about the real estate process. There are too many things that could potentially go wrong unless you are a very educated and savvy buyer.

2. **Items a home inspector should check include:**
   Structural: foundation, roof, doors, windows, ceilings, walls, and floors. Mechanical: plumbing, electrical systems, heating, air conditioning, appliances, insulation, septic tanks, wells, and sewer lines.

3. **Consumer credit reports have inquires**
   An inquiry is a list of creditors that you have authorized to obtain a copy of your credit report. When you order a copy of your own credit report, this does not appear as an inquiry.

   If you believe you have unauthorized inquiries on your credit report you should contact the credit agencies.

   Unsolicited credit offers should not appear on your credit report as an inquiry.

4. **The result of only making the minimum payment on a credit card balance**
   By making minimum payments on credit cards, most of the payment goes towards interest and very little towards the balance. Keep in mind that if you continue to charge on this credit card the time that it will take you to pay off the balance is a moving target into the future. You should be cautious when charging groceries or lunches on your credit cards. Only do this if you are paying it all off every month.
   When charging day to day expenses, such as groceries, eating out and gasoline on credit cards you will find that by the time you paid these charges off, the value of that good will cost you far

more than the original price. This additional cost is generated by the finance charges you pay over time for financing your purchases on a credit card.

Making more than the minimum payment on your credit card will not only help you pay the debt off sooner, but will also save you money on interest.

Any time you can accelerate payment on your debt, you will reduce the amount you pay on interest.

5. **The difference between a permanent and a temporary buy down agreement.**

Buy down loans are programs where borrowers can pay a fee (known as discount points) to the lender to buy the interest rate down. There are permanent or temporary buy down options. With a permanent buy down, you pay a higher fee and the lower interest rate and payments will stay the same for the entire mortgage loan term. With a temporary buy down, the lower interest will change once a year until it reaches the agreed permanent interest rate (the note rate) which will remain unchanged for the remainder of the mortgage loan term.

6. **The right of rescission.**

By law when a borrower enters into a refinance transaction the borrower has the right to cancel the loan within three business days of closing. This right does not apply to purchase transactions only on refinances.

7. **Obtaining a free copy of your credit report.**

Housing counselors, financial advisors, realtors, lenders, etc., can all access a credit report with your permission but there will be, typically a charge. Currently, it is not possible to obtain your credit score without paying a fee.

The information on your credit report is highly confidential and you should control who is checking your credit and how often.

You can obtain a free copy of your credit report by contacting any of the following resources. You can order a free credit report once a year by going to www.annualcreditreport.com

- Experian
  www.experian.com
- TransUnionLLC
  www.transunion.com
- Equifax
  www.equifax.com

8. **FHA MORTGAGES**

Mortgages that are insured by the Federal Housing Administration (FHA), also known as government mortgages. They usually require a lower down payment with as little as 3.5% down payment. FHA like most mortgage loans requires Private Mortgage Insurance. With an FHA loan you will experience two types, one that is financed in your mortgage amount and one that is included in your regular monthly payment of PITI. FHA can be said to be the most expensive loan in the long run with the relative PMI cost but the cheapest in the short run with the lower down payment.

9. VA Mortgage

VA loans are mortgage loans in the United States guaranteed by the U.S. Department of Veterans Affairs (VA). The loan may be issued to qualified veterans. The loans are unique in that they do allow for 100% financing and do not require a down payment on behalf of the qualified veteran.

10. USDA MORTGAGES

USDA stands for United States Department of Agriculture. USDA mortgages provide low-cost insured home mortgage loans that suit a variety of options. A USDA mortgage might be right for you if you want to purchase a home with no down payment and low mortgage insurance. These types of loans will typically have income limitations. It is necessary to consult with your lender to see if they offer these products.

USDA offers a Guaranteed Rural Housing Mortgage

USDA Guaranteed Loans are the most common type of USDA mortgage and allow for higher income limits and 100% financing for home purchases. USDA Guaranteed Loan applicants may have an income of up to 115% of the median household income for the area. All USDA Guaranteed Loans carry 30 year terms and are set at a fixed rate.

USDA offers a Direct Rural Housing Mortgage

USDA Direct Housing Loans are less common than USDA Guaranteed Loans and are only available for low and very low income households to obtain home ownership, as defined by the USDA. Very low income is defined as below 50 percent of the area median income (AMI); low income is between 50 and 80 percent of AMI; moderate income is 80 to 100 percent of AMI.

11. Conventional Mortgages

A "**conventional mortgage**" simply refers to any mortgage loan that is not insured or guaranteed by the federal government as the FHA or VA loan would be. This type of mortgage would normally require a higher down payment of typically five per cent. This mortgage does require Private Mortgage Insurance (PMI) which is included in your monthly payment OR can be a one-time premium. Unlike FHA they have only one PMI premium as compared to FHA which had two, monthly AND financed into your mortgage amount. Conversely to FHA Conventional is often viewed as the most expensive loan in the short run because of the down payment but the cheapest in the long run due the PMI.

12. Fannie Mae and Freddie Mac

FNMA or Fannie Mae./Freddie Mac are congressionally chartered corporations which buys mortgages on the secondary market, pools them and sells them as mortgage-backed securities to investors on the open market. Monthlyprincipal and interestpayments are guaranteed by FNMA/Freddie Mac but not by the U.S. Government.

13. Ginnie Mae

Ginnie Mae guarantees investors the timely payment of principal and interest on MBS backed by federally insured or guaranteed loans — mainly loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). Other guarantors or issuers of loans eligible as collateral for Ginnie Mae MBS include the Department of Agriculture's Rural Development (RD) and the Department of Housing and Urban Development's Office of Public and Indian Housing (PIH). Lenders pursue this guarantee on each FHA/VA loan they do.